

EXECUTIVE SUMMARY

Third Amendment to the Ballpark Cooperation Agreement

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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The Third Amendment to the Ballpark Cooperation Agreement would extend the Agency's annual payments to the City related to debt service on the Ballpark bonds through FY 2032, when the bonds reach maturity. This would permanently offset the City's annual \$11.3 million debt service payment, resulting in additional cumulative savings of approximately \$215 million over the life of the bonds.

In order to use tax increment revenue to reimburse the City for debt service payments on the Ballpark bonds, the Council and Redevelopment Agency are required to make certain findings, consistent with finding made in March 2009 with approval of the Second Amendment. These findings are that:

1. The additional payment of funds for debt service on the Ballpark bonds is a benefit to the project area;
2. No other reasonable means of financing the additional debt service payments are available to the community;
3. The additional payment of funds for debt service will assist in the elimination of one or more blighting conditions in the project area;
4. The additional payment of funds for debt service is consistent with the Implementation Plan for the project area.

While the Third Amendment would provide significant budgetary relief to the City's General Fund, it would also result in a financial impact to the Redevelopment Agency. Cash flow projections from CCDC indicate that with the extended payments under the Third Amendment, the Centre City and Horton Plaza Redevelopment Project Areas will face deficits beginning in FY 2015. While these deficits may be mitigated through the future tax allocation bonds, it may also result in the delay of certain redevelopment projects.

In making this decision, the Council and Agency Board will need to weight the priorities of the City against the priorities of the Redevelopment Agency. However, the IBA urges that the Council and Agency Board exercise caution in using tax increment to fund current General Fund obligations, as redevelopment funds were never intended to be used as a source of ongoing funding for general government purposes.